



2000 AUDITS

A Report to the California Legislature on Claims Handling Practices of Workers' Compensation Administrators

**Department of Industrial Relations
Division of Workers' Compensation
Audit Unit**

April 1, 2001

**California Department of Industrial Relations
Division of Workers' Compensation**

**2000 Audits of Workers' Compensation Insurers, Self-Insured Employers,
and Third-Party Administrators**

April 1, 2001

2000 Audit Results

This eleventh annual workers' compensation audit report summarizes the accomplishments of the Audit Unit of the Division of Workers' Compensation during calendar year 2000.

Scope

The Audit Unit of the Division of Workers' Compensation completed a total of 54 audits in 2000, an increase of 24 audits from the 30 audits conducted in 1999. Of these, 45 were randomly selected and the remaining 9 were non-random, or "targeted" audits. Non-random audits were selected either based upon results from prior audits or following investigations resulting from complaints received by the Division of Workers' Compensation. The total number of audit subjects included 18 insurance companies, 13 self-administered, self-insured employers, and 23 third-party administrators (TPAs).

In addition to these 54 audits, the Audit Unit conducted 10 investigations, in which 37 claim files were reviewed based on complaints received by the Division of Workers' Compensation alleging claims administrators' failure to comply with workers' compensation obligations. The investigations were conducted pursuant to Title 8, California Code of Regulations, Section 10106(d). Claim files were reviewed based on ratios of points assigned to alleged violations in complaints received by the Division of Workers' Compensation, compared to the numbers of claims reported at the adjusting locations. Five non-random audits have been scheduled for 2001 as a result of these investigations.

At all audits, claim files were selected for audit on a random basis, with the number of medical-only, indemnity and denied cases being selected based on the numbers of claims in each of those populations for the audit subject. In addition, if any complaints were received regarding possible violations of the Labor Code or regulations of the Administrative Director, each claim file related to the complaint was audited. The number of files audited at an adjusting location typically ranges from 100 to approximately 300 files for some audits. The numbers of claims audited are based upon the total number of claims at the adjusting location and the number of complaints received by the Division of Workers' Compensation related to claims handling practices. Pursuant to Title 8, California Code of Regulations, Section 10106(c)(2), either a "short sample" or a "full sample" of indemnity claims is audited, depending on the claims administrator's performance as measured in certain key areas after the short sample is audited.

In 2000, compliance officers audited 8,921 claim files, of which 3,591 were claims in which indemnity benefits were paid or were expected to be paid, 2,968 were medical-only claims, 2,041 were claims in which the employer or insurer denied all liability, 252 were selected based on complaints received by the Division of Workers' Compensation, and 69 were designated as "additional" files. "Additional" files include companion files to files selected for audit as part of a random sample or because of a complaint, in which it was necessary to audit the companion files to determine if all benefits were provided in the file selected. "Additional" files also include files audited in excess of the number of files in the random sample, which were audited because the files selected were incorrectly designated on the log.

Findings

As a result of audits conducted during the calendar year 2000, the Audit Unit issued 10,354 administrative penalty assessments to administrators totaling \$1,524,470. There were 559 claims in which injured workers were owed unpaid compensation totaling \$454,868.94, an average of \$813.72 per file in which there was unpaid compensation. The unpaid compensation is broken down as follows: \$135,181.93 in temporary disability indemnity and salary continuation in lieu of temporary disability (29.7% of the unpaid compensation), \$202,316.79 in permanent disability indemnity (44.5% of the unpaid compensation), \$26,653.86 in vocational rehabilitation maintenance allowance (5.9% of the unpaid compensation), \$74,889.81 in 10% self-imposed increases for late indemnity payments (16.5% of the unpaid compensation), and \$6,970.34 in interest and penalty and/or unreimbursed medical expenses (3.5% of the unpaid compensation).

The average number of penalty citations per audit subject was 192, the average amount per penalty assessment was \$147, and the average total in penalty assessments per audit was \$28,231. Most assessments were found in the indemnity, complaint, and denied claims, and although very few penalty assessments were found in medical-only claims, the time involved in reviewing them was minimal.

There were a number of audits conducted in 2000 with notably poor results. The audits were:

1. Crawford & Company in El Segundo, CA.

- 912 penalties were assessed totaling \$145,015.
- 41 Notices of Compensation Due totaling \$42,582.04 were issued.
- 43.24% of the randomly selected claims with accrued and payable indemnity had some unpaid indemnity/
- 40.32% of the randomly selected claims with temporary disability payments were assessed penalties for late first TD payments.
- 57.14% of the randomly selected claims with permanent disability payments were assessed penalties for late first PD payments.
- 62.16% of the randomly selected claims with scheduled indemnity payments were assessed penalties for late subsequent payments.

- 46.15% of the randomly selected claims in which there were requirements to issue routine benefit notices were assessed penalties for failure to issue notices.
- 35.42% of the randomly selected claims with the required to pay or object to bills for medical treatment within 60 days of receipt were assessed penalties for failure to timely object and/or failure to pay interest and penalty.
- 38.46% of the randomly selected claims with the required to pay or object to medical-legal bills within 60 days of receipt were assessed penalties for failure to timely object and/or failure to pay interest and penalty.
- 42.86% of the randomly selected claims with the requirement to issue 90-day vocational rehabilitation notices were assessed penalties for late notices or failure to issue the notices.
- 75% of the randomly selected claims with the requirement to issue Notices of Potential Eligibility for vocational rehabilitation upon knowledge of potential medical eligibility were assessed penalties for late notices or failure to issue the notices.
- 33.87% of the randomly selected claims with the requirement to issue notices advising employees of the right to obtain an evaluation by a Qualified Medical Examiner were assessed penalties for late notices or failure to issue the notices.
- 2 penalties were assessed for unsupported denial of liability.

Counting the \$100,000 civil penalty assessed (see pages 8 through 9 below), the total of \$245,015 in combined administrative penalties for specific violations and civil penalty for business practices is a new high in penalties assessed against one audit subject. The previous high was \$244,795 in administrative penalties assessed against the Woodland Hills office of Superior Pacific Insurance Company in 1999.

2. Cunningham Lindsey Claims Management in Brea, CA.

- 759 penalties were assessed totaling \$130,125.
- 30 Notices of Compensation Due totaling \$43,907.62 were issued.
- 27.37% of the randomly selected claims with accrued and payable indemnity had some unpaid indemnity/
- 45.78% of the randomly selected claims with temporary disability payments were assessed penalties for late first TD payments.
- 51.79% of the randomly selected claims with scheduled indemnity payments were assessed penalties for late subsequent payments.
- 46.09% of the randomly selected claims in which there were requirements to issue routine benefit notices were assessed penalties for failure to issue notices.
- 43.36% of the randomly selected claims in which routine benefit notices were issued were assessed penalties for late notices.
- 37.50% of the randomly selected claims with the required to pay or object to bills for medical treatment within 60 days of receipt were assessed penalties for failure to timely object and/or failure to pay interest and penalty.
- 86.49% of the randomly selected claims with the requirement to issue 90-day vocational rehabilitation notices were assessed penalties for late notices or failure to issue the notices.

- 93.55% of the randomly selected claims with the requirement to issue Notices of Potential Eligibility for vocational rehabilitation upon knowledge of potential medical eligibility were assessed penalties for late notices or failure to issue the notices.
- 47.06% of the randomly selected claims with the requirement to issue notices advising employees of the right to obtain an evaluation by a Qualified Medical Examiner were assessed penalties for late notices or failure to issue the notices.
- 1 penalty was assessed for unsupported denial of liability.

3. National R. V., Inc. in Perris, CA.

- 422 penalties were assessed totaling \$77,485.
- 21 Notices of Compensation Due totaling \$23,063.91 were issued.
- 42.50% of the randomly selected claims with accrued and payable indemnity had some unpaid indemnity.
- 42.86% of the randomly selected claims with permanent disability payments were assessed penalties for late first PD payments.
- 55.56% of the randomly selected claims with scheduled indemnity payments were assessed penalties for late subsequent payments.
- 58.54% of the randomly selected claims in which there were requirements to issue routine benefit notices were assessed penalties for failure to issue notices.
- 70% of the randomly selected claims in which routine benefit notices were issued were assessed penalties for late notices.
- 41.18% of the randomly selected claims with the required to pay or object to bills for medical treatment within 60 days of receipt were assessed penalties for failure to timely object and/or failure to pay interest and penalty.
- 83.33% of the randomly selected claims with the requirement to issue 90-day vocational rehabilitation notices were assessed penalties for late notices or failure to issue the notices.
- 42.86% of the randomly selected claims with the requirement to issue Notices of Potential Eligibility for vocational rehabilitation upon knowledge of potential medical eligibility were assessed penalties for late notices or failure to issue the notices.
- 62.96% of the randomly selected claims with the requirement to issue notices advising employees of the right to obtain an evaluation by a Qualified Medical Examiner were assessed penalties for late notices or failure to issue the notices.

Counting the \$40,000 civil penalty assessed (see pages 8 through 9 below), a total of \$117,485 in combined administrative penalties for specific violations and civil penalty for business were assessed.

4. Specialty Risk Services in Brea, CA.

- 426 penalties were assessed totaling \$100,945.
- 27 Notices of Compensation Due totaling \$36,329.57 were issued.
- 20.95% of the randomly selected claims with accrued and payable indemnity had some unpaid indemnity/
- 30.67% of the randomly selected claims with temporary disability payments were assessed penalties for late first TD payments.

- 36.84% of the randomly selected claims with permanent disability payments were assessed penalties for late first PD payments.
- 57.14% of the randomly selected claims with the requirement to issue 90-day vocational rehabilitation notices were assessed penalties for late notices or failure to issue the notices.
- 77.78% of the randomly selected claims with the requirement to issue Notices of Potential Eligibility for vocational rehabilitation upon knowledge of potential medical eligibility were assessed penalties for late notices or failure to issue the notices.
- 2 penalties were assessed for unsupported denial of liability.

5. American International Group (AIG) in Costa Mesa, CA.

- 639 penalties were assessed totaling \$90,225.
- 21 Notices of Compensation Due totaling \$32,353.86 were issued.
- 23.60% of the randomly selected claims with accrued and payable indemnity had some unpaid indemnity/
- 40.68% of the randomly selected claims with temporary disability payments were assessed penalties for late first TD payments.
- 51.79% of the randomly selected claims with scheduled indemnity payments were assessed penalties for late subsequent payments.
- 40.91% of the randomly selected claims in which routine benefit notices were issued were assessed penalties for late notices.
- 47.37% of the randomly selected claims with the required to pay or object to bills for medical treatment within 60 days of receipt were assessed penalties for failure to timely object and/or failure to pay interest and penalty.
- 50% of the randomly selected claims with the requirement to issue 90-day vocational rehabilitation notices were assessed penalties for late notices or failure to issue the notices.
- 52% of the randomly selected claims with the requirement to issue Notices of Potential Eligibility for vocational rehabilitation upon knowledge of potential medical eligibility were assessed penalties for late notices or failure to issue the notices.
- 31.15% of the randomly selected claims with the requirement to issue notices advising employees of the right to obtain an evaluation by a Qualified Medical Examiner were assessed penalties for late notices or failure to issue the notices.

Performance Standards Affecting Audit Sample Size and Future Audit Selection

In November 1998, regulations were adopted to establish sampling methodology consisting of a two-tiered approach for the random selection of indemnity files. Regulations now contain performance standards in key areas that establish a process whereby fewer files are reviewed at adjusting locations that are performing well in these areas, and greater numbers of files are reviewed at locations that are not performing well in these areas. The regulation changes also include final audit result criteria whereby the audit subject will be removed from the random audit selection pool for three years if the performance standards are met, or the audit subject will be scheduled for a return, non-random audit within one to three years if certain of the standards are not met. The following standards were established:

- **Abbreviated Sample versus Full Sample of Indemnity Files and Removal from Random Selection Pool**

If, after the completion of an abbreviated sample of indemnity claims, performance in those claims fails to meet standards in three key areas, the full sample of indemnity files besides the sample of denied and medical-only files will be audited. However, if performance exceeds the standards in all of these key areas, the audit will be cut short after review of the abbreviated sample of indemnity files and the sample of denied and medical-only files. Following completion of the audit (including the samples of denied and medical-only files), if performance exceeds the standards in *all* of these key areas, the audit subject will be removed from the random selection pool for three years. The criteria in the key areas are as follows:

1. The number of randomly selected audited files with violations involving the failure to pay indemnity exceeds 20% of the audited files in which indemnity is accrued and payable and the average amount of unpaid indemnity exceeds \$200.00 per file in which indemnity is accrued and payable.¹
2. The number of randomly selected files with violations involving the late payments of indemnity exceeds 30% of the audited files in which those indemnity payments have been made.
3. The number of audited files with violations involving the failure to issue routine benefit notices exceeds 30% of the files in which there is a requirement to issue those notices.

¹ Note that if exactly 20% of claims with indemnity accrued and payable have some amount unpaid, it would take an average of \$1,000 in unpaid compensation per file with unpaid compensation to reach an average of \$200 in unpaid compensation per file in which indemnity is accrued and payable. As the percentage of files with unpaid compensation increases, the average amount per file with unpaid compensation needed to reach the \$200 average decreases.

For instance, if there are 100 files in an audit in which indemnity is accrued and payable, and 20 files each have \$1,000 in unpaid compensation, the \$20,000 in unpaid compensation averages \$200 (of the 100 files) per file in which indemnity is accrued and payable. If there are 25 files (25% of the 100) totaling \$20,000 in unpaid compensation, an average of \$800 in unpaid compensation (instead of \$1,000) will produce an average of \$200 in unpaid compensation per file in which indemnity is accrued and payable.

- **Performance Standards Requiring a Return, Non-Random Audit**

If, following the completion of the audit, the audit subject fails to meet the unpaid indemnity standards (No. 1 above) or fails to meet *both* the late-paid indemnity and failure to issue benefit notice standards (Nos. 2 and 3), the Audit Unit will return for a non-random audit within one to three years based on poor audit results. High frequency of late paid indemnity or failure to issue benefit notices *alone* does not require a return, non-random audit.

In addition, the Audit Unit shall return for a repeat non-random audit of denied files within one to three years of the results of an audit becoming final if there is more than one unsupported denial *and* the number of unsupported denials exceeds 5% of the audited denied claims.

- **2000 Performance Results**

In 2000, performance in key claims handling areas in indemnity claims merited audit of an abbreviated sample rather than a full sample of indemnity claims in 32 of the 54 audits conducted (59.3%).

Performance in those areas following the audit of the samples of indemnity, medical-only and denied claims merited removal from the random selection pool of adjusting locations for the next three years in 36 of the 54 audits (66.7%). Those audits are identified in **Exhibit 1D**.

In addition, four of the 54 audits (7.4%), while not performing well enough to enable the Audit Unit to review only an abbreviated sample of indemnity files or to be removed from the random selection pool following the audit, did perform well enough to avoid a return, non-random audit based on final audit results. Those audits are identified in **Exhibit 1E**.

On the basis of final audit results, the performance of 14 of the 54 audits conducted (25.9%) warranted return, non-random audits within one to three years. Those audits are identified in **Exhibit 1F**.

Title 8, California Code of Regulations, Section 10111.1(e)(5), adopted in 1994, states, "No administrative penalties shall be assessed if the only violations found in an audit are violations which do not involve the denial of a claim without supporting documentation, or failure to pay or late payment of compensation, and the violations are found in 20% or less of the indemnity files audited." No audits met these standards in 2000.

Civil Penalty under Labor Code Section 129.5(d)

California Labor Code Section 129.5(d) states, in part:

"In addition to the penalty assessments permitted by subdivision (a), the administrative director may assess a civil penalty, not to exceed one hundred thousand dollars (\$100,000), upon finding, after hearing, that an employer, insurer, or third-party administrator for an employer has knowingly committed and has performed with a frequency as to indicate a general business practice any of the following:

- (1) Induced employees to accept less than compensation due, or made it necessary for employees to resort to proceedings against the employer to secure compensation due.
- (2) Refused to comply with known and legally indisputable compensation obligations.
- (3) Discharged or administered compensation obligations in a dishonest manner.
- (4) Discharged or administered compensation obligations in a manner as to cause injury the public or those dealing with the employer or insurer...."

In late 1999, the Audit Unit established a Civil Penalty Investigation Section within the Audit Unit with the hiring of an additional six Workers' Compensation Compliance Officers (auditors) and one investigator. The Audit Unit intends to investigate thoroughly all credible complaints and information received which indicates the existence of claims practices for which the assessment of a civil penalty under Labor Code Section 129.5(d) may be warranted.

As a result of investigations and audits conducted by the new Civil Penalty Investigation Section of the Audit Unit, the Administrative Director assessed two separate civil penalties pursuant to Labor Code Section 129.5(d) in 2000. Those were:

National RV in Perris, CA.

This self-administered, self-insured employer, a recreational vehicle manufacturing company, stipulated to the assessment of a \$40,000 civil penalty and agreed to make numerous improvements in its claims handling practices as part of an amicable resolution with the division.

The action resulted from an eight-week on-site audit and investigation of the company's claims handling practices following a referral by the Department of Industrial Relations' Office of Self Insurance Plans. The Audit Unit found that the company systematically was: improperly calculating average weekly earnings used to determine disability payments to injured workers; not issuing benefit notices to workers informing them of changes in the status of their case; and failing to pay the interest and penalties resulting from late payment for medical services and evaluations.

The company cooperated with the division throughout the audit process and implemented a number of corrective actions prior to notification of the audit as evidence of good faith.

These included:

- requesting a third-party auditor to review its then current administrative processes;
- hiring an experienced bilingual claims' administrator;
- purchasing a more viable administration software program to replace an inadequate previous system;
- enrolling its workers' compensation assistant in educational courses to expand her knowledge of proper workers' compensation claims handling.

The Audit Unit also issued administrative penalties and notices of compensation due in accordance with its findings, and the auditors will return for a follow-up non-random audit.

Crawford & Company in El Segundo, CA.

This third-party administrator agreed to pay a \$100,000 civil penalty.

The penalty was assessed after an investigation by the Audit Unit found that the company, as a general business practice, did not pay the required 10 percent increases and interest when uncontested bills for medical treatment or medical-legal evaluation services were paid late. The company had earlier taken the position that it was not required to pay the increases or interest unless ordered to by a Workers' Compensation Judge. However, the DWC Administrative Director, in a 1997 ruling, found that the ten- percent increase plus interest were self-executing. The company contended that the finding was not properly communicated to its various adjusting locations/business units, and therefore they were inadvertently unaware of it.

Crawford & Company stipulated to the assessment of a \$100,000 civil penalty and agreed to pay all required ten percent increases and interest still due. In addition, Crawford established a training coordinator position to be in charge of organizing the training of all of the company's workers' compensation claims handlers in California regarding workers' compensation laws and regulations.

The Audit Unit also issued administrative penalties and notices of compensation due in accordance with its findings, and the auditors will return for a follow-up non-random audit.

Unpaid Compensation Due To Employees

Of the 3,912 indemnity, complaint, and additional files audited (that is, all the audited files except for the audited denials and medical-only claims), the Audit Unit found 559 files (14.3% - down from 18.8% in 1999 and 16.3% in 1998) in which the employee was due compensation,

interest and/or penalties totaling \$454,868.94. The average amount of unpaid compensation per file in which there was unpaid compensation was \$813.72, down from \$1,008.67 in 1999 and \$843.47 in 1998. The administrator is required to pay these employees within 15 days after receipt of a notice advising the administrator of the amount due, unless a written request for a conference is filed within 7 days of receipt of the audit report. In a small number of these cases, the administrator was able to show that, by providing additional documentation, the amount of compensation due was different from the amount cited.

When employees due unpaid compensation cannot be located, the unpaid compensation is payable by the administrator to the *Workplace Health and Safety Revolving Fund*. In these instances, application by an employee can be made to the Division of Workers' Compensation for payment of moneys deposited by administrators into this fund. In 2000, \$2,489.77 was paid into this fund because the injured workers could not be located.

Informal Post-Audit Conferences

Informal post-audit conferences are offered to all administrators after audits are completed. Conferences help to clarify issues, resolve misunderstandings and assist in reducing the frequency and volume of conference appeals. The post-audit conference is the last opportunity for the administrator to respond to audit findings on an informal basis before issuance of the written audit report, *Notices of Penalty Assessments* and *Notices of Compensation Due*.

The conference may include:

- A discussion of the factual and legal bases for the proposed penalty assessments and/or notices of unpaid compensation. The claims administrator is given the opportunity to dispute proposed penalties informally and provide reasons for additional mitigation for the penalties proposed.
- A discussion of general findings of areas where there are deficiencies. The Audit report includes frequency tables so that frequency of violations can be addressed. These tables (**Individual Exhibit 5** for each audit) in effect act as report cards, showing in key areas of consideration the number of files in which exposure for certain penalty assessments exists, the number of files in which penalties are proposed, and the resultant percentage of those files in which penalties are proposed.
- A discussion of claims where the claims administrator will be requested to take action and/or provide further information or documentation so that penalties may be properly assessed. Issuance of the final report following the post-audit conference may be postponed until the audit subject has had the chance to obtain additional documentation to clarify any disputed issues.

- A discussion of additional documentation to be obtained to comply with statutory and/or regulatory requirements. Necessary items for documentation of compliance are listed in addenda to the audit reports. These suspense items include requests for such documentation as earnings for the dates of the injury, wage statements needed to determine appropriate disability rates, and proof of provision of claim forms.

Final Audit Report

Following the post-audit conference, the Audit Unit issues the final report of audit findings along with the Notice of Penalty Assessments and Notices of Compensation Due. If any penalties are still in dispute, the audit subject then has 7 days from receipt of the final audit report to request an appeal, either by appeal conference or written decision only from the Administrative Director, and an additional 21 days from the date of request for appeal to submit arguments and supporting documentation. Any unappealed penalties must be paid within 15 days of receipt of the Notice of Penalty Assessments.

Appeals

In 2000, one audit was appealed and resolved. In addition, the two audits appealed in 1998 have been resolved since the Audit Unit's Annual Report of April 1, 2000. However, the one appeal made in 1999 remains unresolved. The status of each of these appeals is as follows:

- The May Company - Redondo Beach, Audit No. AHM-02-98-R-2: The audit subject of this 1998 audit appealed 3 penalties totaling \$4,560 - two for unsupported denials of liability for claims and one for the late issuance of a delay notice. All penalties were affirmed and paid.
- City of Anaheim - Anaheim, Audit No. AHM-08-98-R-6: The audit subject of this 1998 audit appealed 2 penalties totaling \$980 for the failure to issue Notices of Potential Eligibility for vocational rehabilitation within 10 days of knowledge of a physician's opinion that the injured worker was medically eligible for vocational rehabilitation. . All penalties were affirmed and paid.
- CNA Commercial Insurance - Glendale, Audit No. VNO-10-99-R-1: The audit subject of this 1999 audit appealed all 824 penalties totaling \$115,445. Resolution of the appeal is pending.
- County of Riverside - Riverside, Audit No. VNO-10-00-R-6. The audit subject of this 2000 audit filed a late appeal of \$34,600 in penalties (of the total of \$65,760 assessed). The appeal was dismissed because of the late filing.

Penalties Collected for Prior Years

\$570,925 was collected in 2000 for audit penalties assessed in 1999.

Types of Penalties Cited

The following are the eight most common types of violations and the number of times they have been cited in 2000 audits:

1. Failure to Timely Provide Proper and Accurate Benefit Notice

In 2000, the Audit Unit assessed 4,274 penalty citations totaling \$456,560 (41.3% of the total of 10,354 penalties assessed and 29.9% of the total dollar amount of \$1,524,470) which involved the provision of benefit notices, excluding the vocational rehabilitation notices listed in No. 4 below. The dollar amount of these assessments ranged from \$25 to \$100 each, except for notices of the procedure to evaluate permanent disability and denial notices for injuries occurring on or after 1/1/94, for which the penalties are assessed at up to \$500. These violations are broken down as follows:

- **Failure to Issue Benefit Notices**

1,458 penalty citations totaling \$137,8500 (14.1% of the total penalties and 9.0% of the total dollar amount) were issued for the failure to issue benefit notices. The penalty assessments ranged from \$50 to \$100 before mitigation for good faith, frequency, and history.

- **Late Provision of Benefit Notices**

1,285 penalty citations totaling \$77,260 (12.4% of the total penalties and 5.1% of the total dollar amount) were issued for late provision of benefit notices. The penalty assessments ranged from \$50 to \$100 before mitigation for good faith, frequency, and history.

- **Materially Inaccurate or Incomplete Benefit Notices**

1,010 penalty citations totaling \$35,040 (9.8% of the total penalties and 2.3% of the total dollar amount) were issued for materially inaccurate or incomplete benefit notices. The penalties were assessed at \$25 before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue Notices for the Procedure to Evaluate Permanent Disability**

486 penalty citations totaling \$195,690 (4.7% of the total penalties and 12.8% of the total dollar amount) were issued for late issuance and the failure to issue notices advising of the procedure to evaluate permanent disability. The penalties ranged from \$100 to \$500 before mitigation for good faith, frequency, and history.

- **Violations Involving Denial Notices**

35 penalty citations totaling \$10,720 (0.3% of the total penalties and 0.7% of the total dollar amount) were issued for late issuance, the failure to issue, and the issuance of materially misleading or inaccurate denial notices. The penalties ranged from \$100 to \$500 before mitigation for good faith, frequency, and history.

2. Late Indemnity Payments

1,944 penalty citations totaling \$247,625 (18.8% of the total penalties and 16.2% of the total dollar amount) were assessed for late indemnity payments. The penalties were assessed at up to \$100 before mitigation for good faith, frequency, and history unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity. These violations are broken down as follows:

- **Late Subsequent Indemnity Payments**

1,138 penalty citations totaling \$121,115 (11.0% of the total penalties and 7.9% of the total dollar amount) were assessed for late subsequent indemnity payments, including any late death benefit payments, the failure to pay all indemnity due with a payment when paid with a later payment, late payments of self-imposed increases for any late indemnity payments, and late payments of WCAB Awards or Orders. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Temporary Disability Indemnity**

531 penalty citations totaling \$58,290 (5.1% of the total penalties and 3.8% of the total dollar amount) were assessed for late first payments of temporary disability indemnity. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Permanent Disability Indemnity**

237 penalty citations totaling \$58,595 (2.3% of the total penalties and 3.8% of the total dollar amount) were assessed for late first payments of permanent disability indemnity. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Vocational Rehabilitation Maintenance Allowance**

37 penalty citations totaling \$9,525 (0.4% of the total penalties and 0.6% of the total dollar amount) were assessed for late first payments of vocational rehabilitation maintenance allowance. The penalties range from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness, unless the payments were more than 30 days late, in which case penalties are assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late Death Benefit Payments**

One penalty citation for \$100 was assessed for late death benefit payments. Penalties in this category can range from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the degree of lateness, unless the payments were more than 30 days late, in which case penalties are assessed at up to \$1,000 depending on the amount of late paid benefits.

3. Failure to Pay or Object to Medical or Medical-Legal Bills within 60 Days of Receipt

1,509 penalty citations totaling \$117,730 (14.6% of the total penalties and 7.7% of the total dollar amount) were issued involving the failure to pay or object to medical or medical-legal bills within 60 days from the receipt of the bill and failure to pay interest and self-imposed increases for late paid bills. Penalty assessments ranged from \$25 to \$100 each before mitigation for good faith, frequency, and history. The penalties are broken down as follows:

- **Failure to Pay or Object to Medical Expenses within 60 Days of Receipt**

1,351 penalty citations totaling \$106,325 (13.0% of the total penalties and 7.0% of the total dollar amount) were issued for the failure to pay or object to medical expenses within 60 days from the receipt of the bill and/or failure to pay interest and self-imposed increases for late paid bills. Penalty assessments ranged from \$25 to \$100 each depending on the amounts of the bills, before mitigation for good faith, frequency, and history, and from \$25 to \$50 for the failure to pay interest or penalties on late paid medical bills.

- **Failure to Pay or Object to Medical-Legal Bills within 60 Days of Receipt**

158 penalty citations totaling \$11,405 (1.5% of the total penalties and 0.7% of the total dollar amount) were issued for the failure to pay or object to medical-legal bills within 60 days from the receipt of the bill. Penalty assessments ranged from \$50 to \$100 each before mitigation for good faith, frequency, and history, depending on whether the bill remained unpaid at the time of the audit and whether or not interest and penalty were paid.

4. Failure to Pay Accrued and Payable Indemnity in Undisputed Claims

908 penalty citations totaling \$205,005 (8.8% of the total penalties and 13.4% of the total dollar amount) were assessed for violations involving the failure to pay accrued and payable indemnity in undisputed claims. The penalty assessments ranged from \$25 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount, unless the failure to pay involved the complete failure to pay a WCAB Award or Order, in which case penalties are assessed at \$5,000. These violations are broken down as follows:

- **Failure to Pay Self-Imposed Increases for Late Paid Indemnity**

454 penalty citations totaling \$37,555 (4.4% of the total penalties and 2.5% of the total dollar amount) were issued for the failure to pay self-imposed increases payable because of the late payment of temporary or permanent disability indemnity. The penalty assessments ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the amount of the late paid indemnity for which the self-imposed increases were due.

- **Failure to Pay Temporary Disability Indemnity or Salary Continuation in Lieu of Temporary Disability Indemnity**

290 penalty citations totaling \$84,720 (2.8% of the total penalties and 5.6% of the total dollar amount) were issued for the failure to pay temporary disability indemnity or salary continuation in lieu of temporary disability indemnity, which was not awarded or ordered, paid by the WCAB. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay Permanent Disability Indemnity**

100 penalty citations totaling \$52,590 (1.0% of the total penalties and 3.4% of the total dollar amount) were issued for the failure to pay permanent disability indemnity that was not awarded or ordered paid by the WCAB. The penalty assessments ranged from \$200 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay Vocational Rehabilitation Maintenance Allowance**

30 penalty citations totaling \$18,370 (0.3% of the total penalties and 1.2% of the total dollar amount) were issued for the failure to pay vocational rehabilitation maintenance allowance which was not awarded or ordered paid by the WCAB or Rehabilitation Unit. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay All or Part of a WCAB Award or Order or Rehabilitation Unit Order**

19 penalty citations totaling \$8,860 (0.2% of the total penalties and 0.6% of the total dollar amount) were issued for the failure to pay all or part of any indemnity awarded by the WCAB or Rehabilitation Unit. The penalty assessments ranged from \$100 to \$5,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay Interest or Penalty on an Award**

15 penalty citations totaling \$2,910 (0.2% of the total penalties and 0.2% of the total dollar amount) were issued for the failure to pay any Interest or Penalty on an Award. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

5. Failure to Timely Comply with Vocational Rehabilitation Notice Requirements

721 penalty citations totaling \$285,600 (7.0% of the total penalties and 18.7% of the total dollar amount) were issued for the failure to timely comply with specified vocational rehabilitation notice requirements. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history. The penalties are broken down as follows:

- **Failure to Timely Comply with Vocational Rehabilitation Requirements following 90 Days of Aggregate Temporary Disability**

381 penalty citations totaling \$154,640 (3.7% of the total penalties and 10.1% of the total dollar amount) were issued for the failure to timely assign a Qualified Rehabilitation Representative within 10 Days after 90 days of aggregate total disability for injuries occurring before 1/1/94, and for failure to issue a notice regarding vocational rehabilitation rights within 10 days after 90 days of aggregate total disability for injuries occurring on or after 1/1/94. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue a Notice of Potential Eligibility for Vocational Rehabilitation**

290 penalty citations totaling \$109,860 (2.8% of the total penalties and 7.2% of the total dollar amount) were issued for the failure to timely issue a *Notice of Potential Eligibility* for Vocational Rehabilitation within 10 days of knowledge of a physician's opinion of an employee's medical eligibility. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue a Notice Denying Vocational Rehabilitation as Required**

50 penalty citations totaling \$21,100 (0.5% of the total penalties and 1.4% of the total dollar amount) were issued for the failure to timely issue a denial notice for vocational rehabilitation services along with notice of the procedures for disputing the denial when required, or for termination of vocational rehabilitation services other than as described by Labor Code §4644.

6. Late Payment of WCAB Awards or Orders or Orders of the Rehabilitation Unit

63 penalty citations totaling \$78,025 (0.6% of the total penalties and 5.1% of the total dollar amount) were issued for late payments of WCAB Orders or Awards or Orders of the Rehabilitation Unit. The penalty assessments ranged up to \$5,000 before mitigation for good faith, frequency, and history, depending on how late the payment.

7. Unsupported Denial of Liability for Claims and Failure to Investigate

62 penalty citations totaling \$54,730 (0.6% of the total penalties and 3.6% of the total dollar amount) were issued for unsupported denials of liability for claims and the failure to investigate to determine whether benefits were payable. Penalty assessments ranged up to \$1,000 before mitigation for good faith, frequency, and history for the failure to investigate, and up to \$5,000 before mitigation for good faith, frequency, and history for unsupported denials. The penalties are broken down as follows:

- **Failure to Investigate**

48 penalty citations totaling \$24,730 (0.5% of the total penalties and 1.6% of the total dollar amount) were issued for the failure to investigate to determine whether benefits were payable in a claim. If the failure to investigate led to the denial of all liability for the claim, the penalty was assessed for the unsupported denial rather than the failure to investigate. Penalty assessments ranged up to \$1,000 before mitigation for good faith, frequency, and history.

- **Unsupported Denial of Liability for Claims**

14 penalty citations totaling \$30,000 (0.1% of the total penalties and 2.0% of the total dollar amount) were issued for unsupported denials of liability for claims. Penalty assessments ranged up to \$5,000 before mitigation for good faith, frequency, and history.

8. Other Violations

873 penalty citations totaling \$79,195 (8.4% of the total penalties and 5.2% of the total dollar amount) were issued for other violations, including the failure to document an employee's average weekly earnings when temporary disability is paid at less than the maximum rate, the failure to document that a claim form was provided to an injured worker, the failure to maintain various forms of documentation in a claim file such as copies of medical reports or WCAB orders or awards, the failure to pay or object to a vocational rehabilitation expense within 60 days of receipt of the bill, the filing of an inaccurate Annual Report of Inventory, and claim log violations. Penalty assessments generally range up to \$100 before mitigation for good faith, frequency, and history. Claim log violations and violations involving the filing of an inaccurate Annual Report of Inventory (assessed as part of an audit) range up to \$500.

Penalties for the Failure to File the Annual Report of Inventory

In addition to the 10,354 administrative penalty assessments totaling \$1,524,470 that were assessed as a result of audits, an additional 24 penalties totaling \$9,680 were assessed not as the result of individual audits, but for the failure of claims administrators to timely file an Annual Report of Inventory of Claims with the Audit Unit, as required by Title 8, California Code of Regulations, Section 10104. These penalties are not otherwise included as part of the audit data within this report, but were assessed as follows:

Claims Administrator/ Location		Amount Assessed	Amount Collected	Unpaid Balance
Argonaut Insurance Group.	Brea	\$500	\$500	\$0
American Commercial – 00	San Francisco	\$500	\$500	\$0
American Commercial - 99	San Francisco	\$500	\$500	\$0
BCIS Services	Sherman Oaks	\$100	\$100	\$0
Cunningham Lindsey	San Diego	\$500	\$0	\$500
Frank Gates USA	Albuquerque, NM	\$500	\$500	\$0
Helmsman Management	Pleasanton	\$500	\$500	\$0
Ranger Insurance Co.	Houston, TX	\$100	\$100	\$0

2000 Audits of Workers' Compensation Insurers, Self-Insured Employers, and Third-Party Administrators
April 1, 2001

Republic Western Ins. Co.	Phoenix, AZ	\$500	\$500	\$0
San Diego Gas & Electric	San Diego	\$180	\$180	\$0
San Diego Transit	San Diego	\$500	\$500	\$0
Sedgwick Claims Mgt	Louisville, KY	\$500	\$500	\$0
Superior National Ins. Co.	Van Nuys	\$500	\$0	\$500
Sutter Ins. Group	Novato	\$100	\$100	\$0
Ulico Insurance Group	Chino	\$500	\$0	\$500
Universal Underwriters Co.	Roseville	\$500	\$0	\$500
USS-POSCO Industries	Pittsburgh	\$100	\$100	\$0
Virginia Surety Co.	Omaha, NE	\$500	\$0	\$500
Wausau Insurance Group	Visalia	\$500	\$500	\$0
Wausau Insurance Group	Temple Terrace, FL	\$500	\$500	\$0
Wausau Insurance Group	Wausau, WI	\$100	\$100	\$0
Wausau Nationwide TPA Claims	Pasadena	\$500	\$500	\$0
Wausau Nationwide TPA Claims	San Francisco	\$500	\$500	\$0
Wausau Nationwide TPA Claims	Visalia	\$500	\$500	\$0
TOTALS		\$9680.00	\$7180.00	\$2500.00

EXHIBITS

Exhibit 1A is a summary of the number of files audited by type, the numbers and amounts of penalties, amounts collected, balance due, and the number of appeals for Northern California and Southern California. **Exhibit 1B** lists the same data for each audit subject audited in or by Northern California staff. **Exhibit 1C** lists the same data for each audit subject audited in or by Southern California staff. **Exhibit 1D** lists the audit subjects whose performance merits removal from the random selection pool for the next three years. **Exhibit 1E** lists those audit subjects that did not perform well enough for removal from the random selection pool, but which did not warrant return, non-random audits based on 2000 audit results. **Exhibit 5F** lists those audit subjects whose poor performance warrant return non-random audits within the next one to three years.

Exhibit 2A and 2B are summaries of the audit results for each audit by type of claims administrator and by method of selection for audit. There are separate listings for randomly selected and non-randomly selected audit subjects, and breakdowns showing the same data for insurers, self-insured employers, and third-party administrators as separate groupings.

Exhibit 3 separates the Schedule of Administrative Penalties in Title 8, California Code of Regulations, Sections 10111 and 10111.1 into various categories. There is a **Key to Exhibit 3** describing the nature of each category and listing the ranges of penalty assessment amounts, and an **Exhibit 3** showing statewide totals and amounts of penalties assessed in 2000 by category.

Exhibit 4 summarizes by type of indemnity the amounts of unpaid compensation found in the 495 audited claims for which Notices of Compensation Due were issued.

Perhaps the clearest way to measure the overall performance of California workers' compensation claims administrators is by the percentages of audited claim files with violations when compared to the claim files with the exposure for violations in key areas. **Exhibits 5A** through **5L** show, in each of 21 key areas of consideration, the number of files in which the exposure for assessment exists, the number of files in which penalties were assessed, and the percentage of those files with exposure in which penalties were assessed. These 21 categories are as measured by the frequency mitigation standards in Title 8, California Code of Regulations, Sections 10111.1(d)(1) and (e)(3). The exhibits list the numbers and percentages for randomly selected files only, excluding penalties and exposure for penalties from any files audited as a result of complaints received by the Audit Unit or any files selected by any other method than randomly. They are broken down as follows:

• Exhibit 5A	Statewide Frequency Summary for all audit subjects.
• Exhibit 5B	Statewide Frequency Summary for all randomly selected audit subjects.
• Exhibit 5C	Statewide Frequency Summary for all non-randomly selected audit subjects.
• Exhibit 5D	Statewide Frequency Summary for all insurers, regardless of method of selection.
• Exhibit 5E	Statewide Frequency Summary for all randomly selected insurers.
• Exhibit 5F	Statewide Frequency Summary for all non-randomly selected insurers.
• Exhibit 5G	Statewide Frequency Summary for all self-insured employers, regardless of method of selection.
• Exhibit 5H	Statewide Frequency Summary for all randomly selected self-insured employers.
• Exhibit 5I	Statewide Frequency Summary for all non-randomly selected self-insured employers.

• Exhibit 5J	Statewide Frequency Summary for all third-party administrators, regardless of method of selection.
• Exhibit 5K	Statewide Frequency Summary for all randomly selected third-party administrators.
• Exhibit 5L	Statewide Frequency Summary for all non-randomly selected third-party administrators.

Following the statewide **Exhibits 1A** through **5L** in the report are **Individual Exhibits 3, 4, and 5** for each audit subject.

Conclusion: Trends in Claims Performance

In 2000, the Audit Unit conducted 54 audits and audited 8,921 claims, an increase over the 30 audits and 5,743 claims audited in 1999. Even so, the totals for administrative penalties assessed for specific violations in 2000 (10,354 totaling \$1,524,470) were not substantially different from the 10,232 penalties totaling \$1,532,540 assessed in 1999. The reason for the proportionate decrease in penalties assessed for those 54 audits seems to be a reflection of overall better performance for the 54 audit subjects audited in 2000 than the 30 audit subjects audited in 1999. When the \$140,000 in civil penalties assessed is included in the year 2000 audit penalties, however, the total is \$1,664,470.

One factor indicating that overall performance improved (slightly) in 2000 is a comparison of the numbers of audit subjects that merited return, target audits based on performance in the two years. In 1999, 11 of the 30 audits conducted (36.7%) merited return, target audits based on audit results. In 2000, 14 of the 54 audit subjects (25.9%) merited return, target audits.

Another indication that claims performance improved overall in 2000 is the number of penalties assessed for late paid and unpaid indemnity in undisputed claims.

- In 1996, there were 2,739 penalties totaling \$365,645 assessed for late paid and unpaid indemnity in 4,577 audited indemnity and complaint files (that is, in audited files excluding medical-only and denied files) - 0.60 penalties per claim.
- In 1997, the numbers were 2,511 penalty assessments totaling \$397,830 for late paid and unpaid indemnity in 3,197 audited indemnity and complaint files - 0.79 penalties per claim.
- In 1998, there were 2,195 penalty assessments totaling \$404,065 for late paid and unpaid indemnity (including 41 penalties for late payment of awards) in 2,589 audited indemnity and complaint files - 0.85 penalties per claim.

- In 1999, there were 2,816 penalties totaling \$593,970 assessed for late paid and unpaid indemnity (including 119 penalties for late payment of awards) in 2,634 audited indemnity and complaint files - 1.07 penalties per claim.
- In 2000, there were 2,915 penalties totaling \$530,655 for late paid and unpaid indemnity (including 63 penalties for late payment of awards) in 3,912 audited indemnity and complaint files - 0.75 penalties per claim.

In 1996, the Audit Unit issued 579 Notices of Compensation Due totaling \$473,961.34 in unpaid compensation. In 1997, 508 Notices of Compensation Due totaling \$455,401.53 were issued. In 1998, there were 423 Notices of Compensation Due totaling \$356,787.00. In 1999, the Audit Unit issued 495 Notices of Compensation Due totaling \$499,291.43 in unpaid compensation. In 2000, the Audit Unit issued 559 Notices of Compensation Due totaling \$454,868.94 in unpaid compensation.

The average amount of unpaid compensation in claims with unpaid compensation was:

- \$818.59 in 1996.
- \$893.55 in 1997.
- \$843.47 in 1998.
- \$1,008.67 in 1999.
- \$813.72 in 2000

As stated under "Findings," 29.7% of the unpaid compensation found in audits in 2000 was in temporary disability indemnity, 44.5% was in permanent disability, 5.9% was in vocational rehabilitation maintenance allowance, 16.5% was in 10% self-imposed increases for late indemnity payments, and 3.5% was in interest and penalty on awards and unreimbursed medical expense. These breakdowns are comparable to those in earlier years. The main reasons for the relatively high percentage of unpaid permanent disability indemnity continue to be the failure of claims administrators to pay reasonable estimates of permanent disability before permanent disability ratings are received, and the failure to recognize that permanent disability benefits begin accruing immediately after the last period of temporary disability.

There continues to be a high number of penalty assessments involving violations for the failure to issue benefit notices, the late issuance of benefit notices, and the issuance of materially inaccurate or incomplete benefit notices. Excluding specified vocational rehabilitation notice penalties (categories 12, 13, and 14 in Exhibit 3), 4,274 penalty citations totaling \$456,560 (41.3% of the total of 10,354 penalties assessed, and 29.9% of the total dollar amount of \$1,524,470) involved the provision of benefit notices.

A comparison of the statewide frequency for all audit subjects (**Exhibit 5A**) with the statewide frequency in prior years' annual reports shows that, after a number of years with gradually declining performance, percentages of claims with violations actually improved in certain critical areas in 2000.

1. Unpaid Indemnity

Of the randomly selected audited files in which indemnity was accrued and payable, the percentage with assessments for unpaid indemnity was:

- 17.18% in 1996;
- 19.39% in 1997;
- 19.49% in 1998;
- 23.50% in 1999.
- 18.26% in 2000.

2. Late First Payments of Temporary Disability

Of the randomly selected audited files with temporary disability payments, the following percentages of those files were assessed penalties for late first payments:

- 22.07% in 1996;
- 20.71% in 1997;
- 28.83% in 1998;
- 30.27% in 1999.
- 23.88% in 2000.

3. Late First Payments of Permanent Disability

Of the randomly selected audited files with permanent disability payments, the following percentages of those files were assessed penalties for late first payments:

- 30.62% in 1996;
- 30.79% in 1997;
- 25.62% in 1998;
- 26.98% in 1999.
- 22.13% in 2000.

4. 90-Day Vocational Rehabilitation Notices

Of the randomly selected claims where there was an obligation to issue a notice of vocational rehabilitation rights after 90 days of temporary disability, the following percentages of those files were assessed penalties for failure to comply with requirements as required (both late notices and failure to issue notices):

- 45.13% in 1996;
- 43.57% in 1997;
- 41.45% in 1998;
- 55.30% in 1999.
- 46.98% in 2000.

5. Notice of Medical Eligibility for Vocational Rehabilitation

Of the randomly selected claims where there was an obligation to issue a Notice of Potential Eligibility for vocational rehabilitation to the injured worker within 10 days of knowledge of a physician's opinion that the employee was medically eligible, the following percentages of those files were assessed penalties for failure to comply with requirements as required (both late notices and failure to issue notices):

- 47.85% in 1996;
- 48.03% in 1997;
- 50.16% in 1998;
- 48.00% in 1999.
- 46.92% in 2000.

6. Failure to Issue Routine Benefit Notices

Of the randomly selected claims with a requirement to issue routine benefit notices (e.g., first payment, final payment, delay in decision, change of disability rate), the following percentages were assessed penalties for at least one failure to issue a notice:

- 21.42% in 1996;
- 24.02% in 1997;
- 21.89% in 1998;
- 30.60% in 1999.
- 23.70% in 2000.

7. Failure to Pay or Object to Bills for Medical Treatment within 60 Days

Of the randomly selected claims with a requirement to pay or object to bills for medical treatment within 60 days, the following percentages of claims were assessed penalties for at least one failure to pay or object within the 60 days:

- 6.97% in 1996;
- 11.89% in 1997;
- 14.77% in 1998;
- 18.63% in 1999.
- 13.03% in 2000.

8. Failure to Pay or Object to Medical-Legal Bills within 60 Days

Of the randomly selected claims with a requirement to pay or object to medical-legal bills within 60 days, the following percentages of claims were assessed penalties for at least one failure to pay or object within the 60 days:

- 3.74% in 1996;
- 6.74% in 1997;

- 8.33% in 1998;
- 12.67% in 1999.
- 6.87% in 2000.

Amendments to audit regulations in November 1998 included changes to penalty frequency mitigation criteria to provide an incentive to improve claims handling performance in the prompt issuance of routine benefit notices. While poor performance in the issuance of notices results in an increased audit sample, good performance is rewarded with increased reductions of penalty amounts, and even the elimination of penalties for this category of violation if frequency is particularly low (10% or less). In seven of the 54 audits in 2000, penalties for late benefit notices or failure to issue benefit notices were reduced to zero because the percentages of claims with violations were 10% or less.

While it is true that overall claims performance improved slightly in 2000, there is still room for more improvement. Even though the percentages of claims with violations has varied from year to year, percentages are still high for these critical areas listed above.

A comparison of the frequency summaries for randomly selected audit subjects (Exhibit 5B) and for non-randomly selected audit subjects (Exhibit 5C) shows that frequency of assessments is generally higher for the targeted audit subjects than for the randomly selected audit subjects. Even so, frequency of violations in the randomly selected files of *only* the randomly selected audit subjects continues to reveal overall poor claims handling performance statewide. With increased samples of randomly selected indemnity files for the audit subjects that do not meet the performance criteria for reduced samples, audits are now taking longer and involve more penalties for those poor performers, which in turn reduces the number of audits that the Audit Unit is able to conduct.

In the interest of helping claims administrators to comply with statutes and regulations governing the provision of workers' compensation benefits, the Audit Unit has continued to conduct a training program to assist claims administrators' understanding of the audit process and how to improve future audit results. Workshops, provided to claims administrators on a voluntary basis, are provided free of charge on request at the administrators' adjusting locations. In 2000, the Audit Unit conducted 15 workshops for the claims industry, 9 in northern California and 6 in southern California.

The Division of Workers' Compensation's goal is to improve claims handling performance through its audit program. The Audit Unit will continue to work to ensure that injured workers receive their proper workers' compensation benefits.

Statewide Summaries & Exhibits

Exhibit 1A**Calendar Year 2000****Statewide Summary****Penalty Assessments and Collections**

	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	# of Audits Appealed
		Indem- nity	Medical Only	Denied	Com- plaints	Add- tional						
No. California	25	1,457	1,370	945	120	18	2,479	\$505,050	\$0	\$492,770	\$12,280	0
So. California	29	2,134	1,598	1,096	132	51	7,875	\$1,019,420	\$0	\$1,019,420	\$0	1
TOTAL	54	3,591	2,968	2,041	252	69	10,354	\$1,524,470	\$0	\$1,512,190	\$12,280	1

Calendar Year 2000
Penalty Assessments and Collections

Northern California

Audit Subject & Location	R/ N R	INS/ SI/ TPA	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- tional						Y	N
American Financial Group / Pleasanton	NR	INS	75	39	0	2	0	69	\$11,060	\$0	\$11,060	\$0		1
AR-CMI / Porterville	NR	TPA	128	66	57	6	2	502	\$86,155	\$0	\$86,155	\$0		1
Athens Administrators / Concord	R	TPA	58	66	62	6	0	97	\$12,685	\$0	\$12,685	\$0		1
Gregory Bragg & Associates / Walnut Creek	R	TPA	54	62	39	3	1	44	\$3,905	\$0	\$3,905	\$0		1
Cambridge Integrated Services Group / Fresno	R	INS	59	61	22	2	0	68	\$13,220	\$0	\$13,220	\$0		1
City of San Jose / San Jose	R	SI	57	64	47	1	0	24	\$3,520	\$0	\$3,520	\$0		1
E & J Gallo Winery / Modesto	R	SI	49	61	39	2	0	122	\$10,715	\$0	\$10,715	\$0		1
EOS Group / Oakland	R	TPA	58	65	60	5	0	99	\$19,480	\$0	\$19,480	\$0		1
ESIS, Inc. / Modesto	R	TPA	43	54	36	0	1	107	\$17,670	\$0	\$17,670	\$0		1
Fireman's Fund Insurance / Rancho Cordova	R	INS	57	64	49	0	0	124	\$15,615	\$0	\$15,615	\$0		1
Grocers Insurance Company / Portland, OR	NR	INS	89	27	9	2	1	227	\$34,320	\$0	\$34,320	\$0		1
Hanover Insurance Group / Roseville	R	INS	14	35	4	0	0	23	\$3,675	\$0	\$3,675	\$0		1
Innovative Care Systems / San Ramon	R	TPA	57	66	52	2	0	42	\$5,245	\$0	\$5,245	\$0		1
Matson Navigation Company / San Francisco	R	SI	2	7	0	0	0	4	\$625	\$0	\$625	\$0		1
Pegasus Risk Management / Modesto	R	TPA	55	63	44	3	2	80	\$7,865	\$0	\$7,865	\$0		1
Professional Risk Management / Stockton	R	TPA	49	59	49	0	0	35	\$5,265	\$0	\$5,265	\$0		1
Safeway Stores, Inc. / Walnut Creek	R	SI	55	65	61	29	0	169	\$26,150	\$0	\$26,150	\$0		1
State Compensation Insurance Fund / Eureka	R	INS	56	64	43	0	0	103	\$11,155	\$0	\$11,155	\$0		1
State Compensation Insurance Fund / SF	R	SI	105	52	48	11	0	208	\$37,045	\$0	\$37,045	\$0		1
State Farm Insurance / Rohnert Park	R	INS	50	59	54	0	1	96	\$11,710	\$0	\$11,710	\$0		1
Superior National Insurance / Rancho Cordova	R	INS	58	66	55	3	3	100	\$12,280	\$0	\$0	\$12,280		1
Sutter Health / Sacramento	R	SI	51	60	31	1	3	41	\$3,115	\$0	\$3,115	\$0		1
Sutter Insurance Group / Novato	NR	INS	0	0	0	1	0	7	\$850	\$0	\$850	\$0		1
Unigard Insurance Group / Roseville	R	INS	26	37	13	1	3	45	\$4,405	\$0	\$4,405	\$0		1
Zenith Insurance Company / Fresno	R	INS	46	50	38	0	1	43	\$2,305	\$0	\$2,305	\$0		1
TOTAL	25	25	1,351	1,312	912	80	18	2,479	\$360,035	\$0	\$347,755	\$12,280	0	25

R - Random 21
 NR - Non-Random 4
TOTAL 25

SI - Self-Insured 11
 INS - Insurance 6
 TPA - Third Party Administrator 8
TOTAL 25

Calendar Year 2000
Penalty Assessments and Collections
Southern California

Audit Subject & Location	R/ NR	INS/ SI/ TPA	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Accelerated Claims Services, Inc. /Santa Ana	R	TPA	49	61	33	0	0	48	\$9,430	\$0	\$9,430	\$0		1
American International Group / Costa Mesa	R	INS	136	66	63	15	0	639	\$90,225	\$0	\$90,225	\$0		1
American International Group / Long Beach	R	TPA	58	66	64	8	0	106	\$12,060	\$0	\$12,060	\$0		1
Ameron International / Pasadena	R	SI	27	43	9	1	0	23	\$4,520	\$0	\$4,520	\$0		1
California Industrial Products/Santa Fe Springs	R	SI	3	9	0	0	0	4	\$240	\$0	\$240	\$0		1
Century National Ins. / North Hollywood	R	INS	4	3	5	0	0	16	\$3,300	\$0	\$3,300	\$0		1
County of Riverside / Riverside	R	SI	118	64	56	0	2	559	\$65,760	\$0	\$65,760	\$0	1	
Crawford & Company / El Segundo	NR	TPA	106	58	33	40	0	912	\$145,015	\$0	\$145,015	\$0		1
Cunningham Lindsey / Brea	NR	TPA	117	64	34	5	2	759	\$130,125	\$0	\$130,125	\$0		1
Dodson Group / Kansas City, MO	R	INS	98	58	26	0	6	223	\$29,915	\$0	\$29,915	\$0		1
F.A.Richard & Associates / Long Beach	R	TPA	47	53	9	1	0	86	\$8,875	\$0	\$8,875	\$0		1
Farmers Insurance Group / Orange	R	INS	131	66	54	5	0	375	\$55,545	\$0	\$55,545	\$0		1
Farmers Insurance Group / Simi Valley	R	INS	58	65	59	0	4	210	\$22,755	\$0	\$22,755	\$0		1
Golden Eagle Insurance / Orange	R	INS	127	65	51	0	2	258	\$26,375	\$0	\$26,375	\$0		1
Helmsman Management Services / Orange	R	TPA	86	55	21	4	0	240	\$38,850	\$0	\$38,850	\$0		1
Innovative Care Systems / Torrance	R	TPA	46	59	27	0	0	28	\$1,630	\$0	\$1,630	\$0		1
JT2 Integrated Resources / Costa Mesa	R	TPA	53	62	31	4	0	93	\$9,970	\$0	\$9,970	\$0		1
Keenan & Associates / Torrance	NR	TPA	130	66	60	19	0	551	\$67,025	\$0	\$67,025	\$0		1
Marriott Claims Services / Santa Ana	NR	SI	55	66	51	8	7	299	\$41,385	\$0	\$41,385	\$0		1
National R.V., Inc. / Perris	NR	SI	68	59	6	23	0	422	\$77,485	\$0	\$77,485	\$0		1
Paula Insurance Company / Oxnard	R	INS	53	59	32	1	0	53	\$7,680	\$0	\$7,680	\$0		1
Power & Associates / Creston	R	TPA	11	5	9	0	0	34	\$2,990	\$0	\$2,990	\$0		1
Risk Enterprise Management / Brea	R	TPA	57	59	39	5	0	117	\$19,960	\$0	\$19,960	\$0		1
RSKCo / Brea	R	TPA	126	65	53	4	6	468	\$63,180	\$0	\$63,180	\$0		1
Sedgwick Claims Management / Orange	R	TPA	131	66	53	2	0	202	\$32,060	\$0	\$32,060	\$0		1
Southern California Edison / Rosemead	R	SI	56	60	55	0	0	180	\$25,790	\$0	\$25,790	\$0		1
Southern California Gas Co. / Los Angeles	R	SI	98	106	73	1	15	413	\$56,010	\$0	\$56,010	\$0		1
Specialty Risk Services / Brea	R	TPA	136	67	65	26	3	426	\$100,945	\$0	\$100,945	\$0		1
State Compensation Ins. Fund / Bakersfield	R	TPA	55	61	58	0	4	131	\$15,335	\$0	\$15,335	\$0		1
TOTAL	29	29	2,240	1,656	1,129	172	51	7,875	\$1,164,435	\$0	\$1,164,435	\$0	1	28

		SI - Self-Insured	7
R - Random	24	INS - Insurance	7
NR - Non-Random	5	TPA - Third Party Administrator	15
TOTAL	29	TOTAL	29

Calendar Year 2000
Audit Subjects which Merited Removal from the
Random Selection Pool for Three Years Based on Audit Results

Audit Subject & Location	R/ NR	INS/ SI/ TPA	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Accelerated Claims Services, Inc. /Santa Ana	R	TPA	49	61	33	0	0	48	\$9,430	\$0	\$9,430	\$0		1
American Financial Group / Pleasanton	NR	INS	75	39	0	2	0	69	\$11,060	\$0	\$11,060	\$0		1
American International Group / Long Beach	R	TPA	58	66	64	8	0	106	\$12,060	\$0	\$12,060	\$0		1
Ameron International / Pasadena	R	SI	27	43	9	1	0	23	\$4,520	\$0	\$4,520	\$0		1
AR-CMI / Porterville	NR	TPA	128	66	57	6	2	502	\$86,155	\$0	\$86,155	\$0		1
Athens Administrators / Concord	R	TPA	58	66	62	6	0	97	\$12,685	\$0	\$12,685	\$0		1
California Industrial Products/Santa Fe Springs	R	SI	3	9	0	0	0	4	\$240	\$0	\$240	\$0		1
Cambridge Integrated Services Group / Fresno	R	INS	59	61	22	2	0	68	\$13,220	\$0	\$13,220	\$0		1
Century National Ins. / North Hollywood	R	INS	4	3	5	0	0	16	\$3,300	\$0	\$3,300	\$0		1
City of San Jose / San Jose	R	SI	57	64	47	1	0	24	\$3,520	\$0	\$3,520	\$0		1
E & J Gallo Winery / Modesto	R	SI	49	61	39	2	0	122	\$10,715	\$0	\$10,715	\$0		1
EOS Group / Oakland	R	TPA	58	65	60	5	0	99	\$19,480	\$0	\$19,480	\$0		1
ESIS, Inc. / Modesto	R	TPA	43	54	36	0	1	107	\$17,670	\$0	\$17,670	\$0		1
F.A.Richard & Associates / Long Beach	R	TPA	47	53	9	1	0	86	\$8,875	\$0	\$8,875	\$0		1
Farmers Insurance Group / Simi Valley	R	INS	58	65	59	0	4	210	\$22,755	\$0	\$22,755	\$0		1
Fireman's Fund Insurance / Rancho Cordova	R	INS	57	64	49	0	0	124	\$15,615	\$0	\$15,615	\$0		1
Golden Eagle Insurance / Orange	R	INS	127	65	51	0	2	258	\$26,375	\$0	\$26,375	\$0		1
Gregory Bragg & Associates / Walnut Creek	R	TPA	54	62	39	3	1	44	\$3,905	\$0	\$3,905	\$0		1
Hanover Insurance Group / Roseville	R	INS	14	35	4	0	0	23	\$3,675	\$0	\$3,675	\$0		1
Innovative Care Systems / Torrance	R	TPA	46	59	27	0	0	28	\$1,630	\$0	\$1,630	\$0		1
Innovative Care Systems / San Ramon	R	TPA	57	66	52	2	0	42	\$5,245	\$0	\$5,245	\$0		1
JT2 Integrated Resources / Costa Mesa	R	TPA	53	62	31	4	0	93	\$9,970	\$0	\$9,970	\$0		1
Keenan & Associates / Torrance	NR	TPA	130	66	60	19	0	551	\$67,025	\$0	\$67,025	\$0		1
Paula Insurance Company / Oxnard	R	INS	53	59	32	1	0	53	\$7,680	\$0	\$7,680	\$0		1
Pegasus Risk Management / Modesto	R	TPA	55	63	44	3	2	80	\$7,865	\$0	\$7,865	\$0		1
Professional Risk Management / Stockton	R	TPA	49	59	49	0	0	35	\$5,265	\$0	\$5,265	\$0		1
Safeway Stores, Inc. / Walnut Creek	R	SI	55	65	61	29	0	169	\$26,150	\$0	\$26,150	\$0		1
Sedgwick Claims Management / Orange	R	TPA	131	66	53	2	0	202	\$32,060	\$0	\$32,060	\$0		1
State Compensation Ins. Fund / Bakersfield	R	TPA	55	61	58	0	4	131	\$15,335	\$0	\$15,335	\$0		1
State Compensation Insurance Fund / Eureka	R	INS	56	64	43	0	0	103	\$11,155	\$0	\$11,155	\$0		1
State Farm Insurance / Rohnert Park	R	INS	50	59	54	0	1	96	\$11,710	\$0	\$11,710	\$0		1
Superior National Insurance / Rancho Cordova	R	INS	58	66	55	3	3	100	\$12,280	\$0	\$0	\$12,280		1
Sutter Health / Sacramento	R	SI	51	60	31	1	3	41	\$3,115	\$0	\$3,115	\$0		1
Sutter Insurance Group / Novato	NR	INS	0	0	0	1	0	7	\$850	\$0	\$850	\$0		1
Unigard Insurance Group / Roseville	R	INS	26	37	13	1	3	45	\$4,405	\$0	\$4,405	\$0		1
Zenith Insurance Company / Fresno	R	INS	46	50	38	0	1	43	\$2,305	\$0	\$2,305	\$0		1
TOTAL	36	36	1,996	1,964	1,346	103	27	3,849	\$509,300	\$0	\$497,020	\$12,280	0	36

Exhibit 1E**Calendar Year 2000**

**Audit Subjects which did not Merit Return,
Non-Random Audits based on Audit Results, but did not
Perform well enough for Removal from the Random Selection Pool for Three Years**

Audit Subject & Location	R/ NR	INS/ SI/ TPA	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Farmers Insurance Group / Orange	R	INS	131	66	54	5	0	375	\$55,545	\$0	\$55,545	\$0		1
RSKCo / Brea	R	TPA	126	65	53	4	6	468	\$63,180	\$0	\$63,180	\$0		1
Southern California Edison / Rosemead	R	SI	56	60	55	0	0	180	\$25,790	\$0	\$25,790	\$0		1
Southern California Gas Co. / Los Angeles	R	SI	98	106	73	1	15	413	\$56,010	\$0	\$56,010	\$0		1
TOTAL	4	4	411	297	235	10	21	1,436	\$200,525	\$0	\$200,525	\$0	0	4

Exhibit 1F**Calendar Year 2000****Audit Subjects which Merited Return, Non-Random Audits based on Audit Results**

Audit Subject & Location	R/ NR	INS/ SI/ TPA	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Crawford & Company / El Segundo	NR	TPA	106	58	33	40	0	912	\$145,015	\$0	\$145,015	\$0		1
Grocers Insurance Company / Portland, OR	NR	INS	89	27	9	2	1	227	\$34,320	\$0	\$34,320	\$0		1
Matson Navigation Company / San Francisco	R	SI	2	7	0	0	0	4	\$625	\$0	\$625	\$0		1
State Compensation Insurance Fund / SF	R	SI	105	52	48	11	0	208	\$37,045	\$0	\$37,045	\$0		1
American International Group / Costa Mesa	R	INS	136	66	63	15	0	639	\$90,225	\$0	\$90,225	\$0		1
County of Riverside / Riverside	R	SI	118	64	56	0	2	559	\$65,760	\$0	\$65,760	\$0	1	
Cunningham Lindsey / Brea	NR	TPA	117	64	34	5	2	759	\$130,125	\$0	\$130,125	\$0		1
Dodson Group / Kansas City, MO	R	INS	98	58	26	0	6	223	\$29,915	\$0	\$29,915	\$0		1
Helmsman Management Services / Orange	R	TPA	86	55	21	4	0	240	\$38,850	\$0	\$38,850	\$0		1
Marriott Claims Services / Santa Ana	NR	SI	55	66	51	8	7	299	\$41,385	\$0	\$41,385	\$0		1
National R.V., Inc. / Perris	NR	SI	68	59	6	23	0	422	\$77,485	\$0	\$77,485	\$0		1
Power & Associates / Creston	R	TPA	11	5	9	0	0	34	\$2,990	\$0	\$2,990	\$0		1
Risk Enterprise Management / Brea	R	TPA	57	59	39	5	0	117	\$19,960	\$0	\$19,960	\$0		1
Specialty Risk Services / Brea	R	TPA	136	67	65	26	3	426	\$100,945	\$0	\$100,945	\$0		1
TOTAL	14	14	1,184	707	460	139	21	5,069	\$814,645	\$0	\$814,645	\$0	1	13

Calendar Year 2000

**Penalty Assessments and Collections
Audit Subjects by Methods of Selection**

Type of Random Audit Subject	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	15	973	818	568	27	20	2,376	\$310,160	\$0	\$297,880	\$12,280		15
Self-insured Employer	11	621	591	419	46	20	1,753	\$233,490	\$0	\$233,490	\$0	1	10
Third-party Administrator	19	1,229	1,114	804	73	17	2,477	\$387,400	\$0	\$387,400	\$0		19
TOTAL RANDOM	45	2,823	2,523	1,791	146	57	6,606	\$931,050	\$0	\$918,770	\$12,280	1	44

Type of Non-random Audit Subject	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	3	164	66	9	5	1	303	\$46,230	\$0	\$46,230	\$0		3
Self-insured Employer	2	123	125	57	31	7	721	\$118,870	\$0	\$118,870	\$0		2
Third-party Administrator	4	481	254	184	70	4	2,724	\$428,320	\$0	\$428,320	\$0		4
TOTAL NON-RANDOM	9	768	445	250	106	12	3,748	\$593,420	\$0	\$593,420	\$0	0	9

Type of Audit	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Total Random	45	2,823	2,523	1,791	146	57	6,606	\$931,050	\$0	\$918,770	\$12,280	1	44
Total Non-random	9	768	445	250	106	12	3,748	\$593,420	\$0	\$593,420	\$0		9
TOTAL	54	3,591	2,968	2,041	252	69	10,354	\$1,524,470	\$0	\$1,512,190	\$12,280	1	53

Exhibit 2B
Calendar Year 2000
Penalty Assessments and Collections
Audit Subjects by Type of Claims Administrator

Insurer	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Random	15	973	818	568	27	20	2,376	\$310,160	\$0	\$297,880	\$12,280		15
Non-random	3	164	66	9	5	1	303	\$46,230	\$0	\$46,230	\$0		3
TOTAL INSURER	18	1,137	884	577	32	21	2,679	\$356,390	\$0	\$344,110	\$12,280	0	18

Self-insured Employer	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Random	11	621	591	419	46	20	1,747	\$233,490	\$0	\$233,490	\$0	1	10
Non-random	2	123	125	57	31	7	721	\$118,870	\$0	\$118,870	\$0		2
TOTAL SELF-INSURED	13	744	716	476	77	27	2,468	\$352,360	\$0	\$352,360	\$0	1	12

Third-party Administrator	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Random	19	1,229	1,114	804	73	17	2,483	\$387,400	\$0	\$387,400	\$0		19
Non-random	4	481	254	184	70	4	2,724	\$428,320	\$0	\$428,320	\$0		4
TOTAL THIRD-PARTY	23	1,710	1,368	988	143	21	5,207	\$815,720	\$0	\$815,720	\$0	0	23

Claims Administrator	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Insurer	18	1,137	884	577	32	21	2,679	\$356,390	\$0	\$344,110	\$12,280		18
Self-insured Employer	13	744	716	476	77	27	2,468	\$352,360	\$0	\$352,360	\$0	1	12
Third-party Administrator	23	1,710	1,368	988	143	21	5,207	\$815,720	\$0	\$815,720	\$0		23
TOTALS	54	3,591	2,968	2,041	252	69	10,354	\$1,524,470	\$0	\$1,512,190	\$12,280	1	53

Key To Exhibit 3B

Administrative Penalty Assessments

Schedule Of Penalties - 2000

Item	Nature of Violations by Category with Maximum Amounts of Penalties
1	For late first payment of temporary disability indemnity: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
2	For late first payment of permanent disability indemnity: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
3	For late first payment of VRMA: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
4	For any late subsequent temporary or permanent disability indemnity or VRMA payments, including failure to pay any indemnity then due when paid with a later payment: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity. Penalties for any late payments of self-imposed increases for any late indemnity payments: up to \$25, unless the late payment is more than 30 days late, in which case the penalty may be up to \$100, depending on the amount of unpaid indemnity.
5	For late first payment and any subsequent payments of death benefits: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
6	For failure to issue benefit notices, other than specified vocational rehabilitation notices for all dates of injury, notices of the procedure to evaluate PD, and denial notices for injuries occurring before 1/1/94: up to \$100.
7	For late provision of benefit notices, other than specified vocational rehabilitation notices for all dates of injury, notices of the procedure to evaluate PD, and denial notices for injuries occurring before 1/1/94: up to \$75, unless the late notice is more than 30 days late, in which case the penalty may be up to \$100.
8	Involving the failure to pay or object to medical expenses within 60 days of receipt of billing: up to \$100.
9	Involving the failure to pay or object to medical-legal expenses within 60 days of receipt of billing: up to \$100.
10	For failure to pay or object to vocational rehabilitation expenses within 60 days of receipt of billing: up to \$100.
11	For injuries before 1/1/94, penalties for failure to assign a qualified rehabilitation representative within 10 days after 90 days of aggregate total disability: up to \$500.
12	For injuries on or after 1/1/94, penalties for failure to provide vocational rehabilitation information to the injured employee as required by Labor Section 4636(a) within 10 days after 90 days of aggregate total disability: up to \$500.
13	For failure to notify the injured employee in a timely manner of potential eligibility for vocational rehabilitation: up to \$500.
14	For failure to notify the injured employee in a timely manner of non-eligibility for vocational rehabilitation: up to \$500.
15	Involving notices of the procedure to evaluate PD for injuries occurring on or after 1/1/94: up to \$500.
16	Involving notices denying all liability or death benefits for injuries occurring on or after 1/1/94: up to \$500.
17	For failure to timely respond to a request to provide or authorize medical treatment: up to \$100.
18 a	For failure to pay any temporary disability indemnity or salary continuation in lieu of temporary disability indemnity not included in an award or order: up to \$1,000.
18 b	For failure to pay any permanent disability indemnity not included in an award or order: up to \$1,000.
18 c	For failure to pay any voc. rehabilitation maintenance allowance not included in an award or order: up to \$1,000.
18 d	For failure to pay any self-imposed increase for late indemnity payments: up to \$100.
18 e	For failure to pay any indemnity as ordered by WCAB Order or Award or Rehabilitation Unit Order: up to \$5,000.
18 f	For any other unpaid indemnity, including but not limited to the following: up to \$500 for the failure to pay any interest on a WCAB Order or Award and up to \$1,000 for the failure to pay any death benefits.
19	For failure to include items or properly designate entries on a claim log: up to \$100.
20 a	For materially incomplete or inaccurate benefit notices, other than specified vocational rehabilitation notices, for all dates of injury: up to \$25. Penalties for materially incomplete or inaccurate notices of denial of all liability for injuries occurring on or after 1/1/94: up to \$500.
20 b	For failure to investigate: up to \$1,000.
20 c	For late payment of WCAB Orders or Awards or Rehabilitation Unit Orders: up to \$1,000.
20 d	Other penalties, including failure to comply with Decisions or Orders of the WCAB or Rehab. Unit not involving the payment of indemnity: from \$25 to \$5,000, depending on the nature of the violation.
21	Unsupported denial of liability for a claim: up to \$5,000.

Exhibit 3B**Calendar Year 2000****Statewide Summary****Frequency of Penalties Cited by Type of Penalty**

Item Number	Number of Times Cited	Total \$ Penalties Assessed
1	531	\$58,290
2	237	\$58,595
3	37	\$9,525
4	1,138	\$121,115
5	1	\$100
6	1,458	\$137,850
7	1,285	\$77,260
8	1,351	\$106,325
9	158	\$11,405
10	47	\$3,025
11	4	\$1,600
12	377	\$153,040
13	290	\$109,860
14	50	\$21,100
15	486	\$195,690
16	35	\$10,720
17	5	\$440
18a	290	\$84,720
18b	100	\$52,590
18c	30	\$18,370
18d	454	\$37,555
18e	19	\$8,860
18f	15	\$2,910
19	197	\$13,050
20a	1,010	\$35,040
20b	48	\$24,730
20c	63	\$78,025
20d	624	\$62,680
21	14	\$30,000
TOTAL	10,354	\$1,524,470

Exhibit 4**Calendar Year 2000****Statewide Summary****Notices of Compensation Due**

	Temporary Disability	Permanant Disability	VRMA	Self- imposed Increase	Death Benefits	Penalty interest, or other	Total
No. California	\$24,149.26	\$45,278.25	\$3,091.68	\$20,664.36	\$0.00	\$8,757.49	\$101,941.04
So. California	\$111,032.67	\$157,038.54	\$23,562.18	\$54,225.45	\$0.00	\$7,069.06	\$352,927.90
TOTAL	\$135,181.93	\$202,316.79	\$26,653.86	\$74,889.81	\$0.00	\$15,826.55	\$454,868.94

Exhibit 5A**Calendar Year 2000****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary
All Audit Subjects**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	1,968	470	23.88%
2	Late First Pay Of PD	809	179	22.13%
3	Late First Pay Of VRMA	270	27	10.00%
4	Late Subsequent Indemnity Pay	1,599	462	28.89%
5	Late Pay Of Death Benefits	3	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	3,384	802	23.70%
7	Late Ben. Notices (Indem.,Delay)	3,349	837	24.99%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	1,873	244	13.03%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	1,107	76	6.87%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	350	13	3.71%
11	Fail To Assign QRR After 90 Days of TD	1	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	696	327	46.98%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	503	236	46.92%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	141	40	28.37%
15	Fail To Notify Employee of Procedure to Eval. PD	2,047	422	20.62%
16	Fail To Issue Denial Notice as Req.	2,076	29	1.40%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	2	N.A.
18	Unpaid Indemnity	2,755	503	18.26%
19	Claim Log Violations (# of Entries and Violations)	168,292	178	0.11%
20	Other Assessments	8,359	1,001	11.98%
21	Unsupported Denials	2,052	14	0.68%

Exhibit 5B**Calendar Year 2000****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary
All Randomly Selected Audit Subjects**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	1,546	334	21.60%
2	Late First Pay Of PD	651	134	20.58%
3	Late First Pay Of VRMA	203	21	10.34%
4	Late Subsequent Indemnity Pay	1,283	310	24.16%
5	Late Pay Of Death Benefits	3	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	2,753	591	21.47%
7	Late Ben. Notices (Indem.,Delay)	2,734	613	22.42%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	1,529	164	10.73%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	888	54	6.08%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	267	9	3.37%
11	Fail To Assign QRR After 90 Days of TD	1	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	544	241	44.30%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	375	163	43.47%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	116	28	24.14%
15	Fail To Notify Employee of Procedure to Eval. PD	1,638	294	17.95%
16	Fail To Issue Denial Notice as Req.	1,818	20	1.10%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	1	N.A.
18	Unpaid Indemnity	2,229	346	15.52%
19	Claim Log Violations (# of Entries and Violations)	143,491	132	0.09%
20	Other Assessments	6,869	778	11.33%
21	Unsupported Denials	1,795	11	0.61%

Exhibit 5C**Calendar Year 2000**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary
All Non-randomly Selected Audit Subjects**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	422	136	32.23%
2	Late First Pay Of PD	158	45	28.48%
3	Late First Pay Of VRMA	67	6	8.96%
4	Late Subsequent Indemnity Pay	316	152	48.10%
5	Late Pay Of Death Benefits	0	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	631	211	33.44%
7	Late Ben. Notices (Indem.,Delay)	615	224	36.42%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	344	80	23.26%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	219	22	10.05%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	83	4	4.82%
11	Fail To Assign QRR After 90 Days of TD	0	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	152	86	56.58%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	128	73	57.03%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	25	12	48.00%
15	Fail To Notify Employee of Procedure to Eval. PD	409	128	31.30%
16	Fail To Issue Denial Notice as Req.	258	9	3.49%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	1	N.A.
18	Unpaid Indemnity	526	157	29.85%
19	Claim Log Violations (# of Entries and Violations)	24,801	46	0.19%
20	Other Assessments	1,490	223	14.97%
21	Unsupported Denials	257	3	1.17%

Exhibit 5 D**Calendar Year 2000****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary
All Insurers, Regardless of Method of Selection**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	708	176	24.86%
2	Late First Pay Of PD	237	33	13.92%
3	Late First Pay Of VRMA	97	13	13.40%
4	Late Subsequent Indemnity Pay	527	144	27.32%
5	Late Pay Of Death Benefits	0	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	1,056	215	20.36%
7	Late Ben. Notices (Indem.,Delay)	1,045	215	20.57%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	519	68	13.10%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	288	25	8.68%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	125	5	4.00%
11	Fail To Assign QRR After 90 Days of TD	0	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	219	88	40.18%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	159	62	38.99%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	51	17	33.33%
15	Fail To Notify Employee of Procedure to Eval. PD	635	100	15.75%
16	Fail To Issue Denial Notice as Req.	589	7	1.19%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	1	N.A.
18	Unpaid Indemnity	859	129	15.02%
19	Claim Log Violations (# of Entries and Violations)	49,981	85	0.17%
20	Other Assessments	2,598	332	12.78%
21	Unsupported Denials	571	4	0.70%

Exhibit 5E**Calendar Year 2000**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary
All Randomly Selected Insurers**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	673	160	23.77%
2	Late First Pay Of PD	220	31	14.09%
3	Late First Pay Of VRMA	88	13	14.77%
4	Late Subsequent Indemnity Pay	490	125	25.51%
5	Late Pay Of Death Benefits	0	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	1,008	191	18.95%
7	Late Ben. Notices (Indem.,Delay)	997	200	20.06%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	484	68	14.05%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	271	25	9.23%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	116	5	4.31%
11	Fail To Assign QRR After 90 Days of TD	0	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	203	79	38.92%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	144	58	40.28%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	49	15	30.61%
15	Fail To Notify Employee of Procedure to Eval. PD	591	92	15.57%
16	Fail To Issue Denial Notice as Req.	580	7	1.21%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	1	N.A.
18	Unpaid Indemnity	809	118	14.59%
19	Claim Log Violations (# of Entries and Violations)	49,094	61	0.12%
20	Other Assessments	2,327	318	13.67%
21	Unsupported Denials	562	4	0.71%

Exhibit 5F**Calendar Year 2000****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary
All Non-randomly Selected Insurers**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	35	16	45.71%
2	Late First Pay Of PD	17	2	11.76%
3	Late First Pay Of VRMA	9	0	0.00%
4	Late Subsequent Indemnity Pay	37	19	51.35%
5	Late Pay Of Death Benefits	0	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	48	24	50.00%
7	Late Ben. Notices (Indem.,Delay)	48	15	31.25%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	35	0	0.00%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	17	0	0.00%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	9	0	0.00%
11	Fail To Assign QRR After 90 Days of TD	0	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	16	9	56.25%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	15	4	26.67%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	2	2	100.00%
15	Fail To Notify Employee of Procedure to Eval. PD	44	8	18.18%
16	Fail To Issue Denial Notice as Req.	9	0	0.00%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	0	N.A.
18	Unpaid Indemnity	50	11	22.00%
19	Claim Log Violations (# of Entries and Violations)	887	24	2.71%
20	Other Assessments	271	14	5.17%
21	Unsupported Denials	9	0	0.00%

Exhibit 5G**Calendar Year 2000**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary
All Self-insured Employers, Regardless of Method of Selection**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	351	55	15.67%
2	Late First Pay Of PD	195	58	29.74%
3	Late First Pay Of VRMA	26	2	7.69%
4	Late Subsequent Indemnity Pay	342	88	25.73%
5	Late Pay Of Death Benefits	2	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	691	198	28.65%
7	Late Ben. Notices (Indem.,Delay)	675	180	26.67%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	441	54	12.24%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	289	11	3.81%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	45	3	6.67%
11	Fail To Assign QRR After 90 Days of TD	1	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	146	75	51.37%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	87	43	49.43%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	21	8	38.10%
15	Fail To Notify Employee of Procedure to Eval. PD	388	104	26.80%
16	Fail To Issue Denial Notice as Req.	477	6	1.26%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	0	N.A.
18	Unpaid Indemnity	552	110	19.93%
19	Claim Log Violations (# of Entries and Violations)	18,527	31	0.17%
20	Other Assessments	1,865	267	14.32%
21	Unsupported Denials	481	3	0.62%

Exhibit 5H**Calendar Year 2000**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary
All Randomly Selected Self-insured Employers**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	274	43	15.69%
2	Late First Pay Of PD	165	47	28.48%
3	Late First Pay Of VRMA	20	2	10.00%
4	Late Subsequent Indemnity Pay	281	60	21.35%
5	Late Pay Of Death Benefits	2	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	583	164	28.13%
7	Late Ben. Notices (Indem.,Delay)	579	144	24.87%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	382	37	9.69%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	248	9	3.63%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	38	2	5.26%
11	Fail To Assign QRR After 90 Days of TD	1	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	119	56	47.06%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	67	32	47.76%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	17	6	35.29%
15	Fail To Notify Employee of Procedure to Eval. PD	326	81	24.85%
16	Fail To Issue Denial Notice as Req.	415	1	0.24%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	0	N.A.
18	Unpaid Indemnity	464	83	17.89%
19	Claim Log Violations (# of Entries and Violations)	13,757	17	0.12%
20	Other Assessments	1,565	202	12.91%
21	Unsupported Denials	419	3	0.72%

Exhibit 5I**Calendar Year 2000**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary
All Non-randomly Selected Self-insured Employers**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	77	12	15.58%
2	Late First Pay Of PD	30	11	36.67%
3	Late First Pay Of VRMA	6	0	0.00%
4	Late Subsequent Indemnity Pay	61	28	45.90%
5	Late Pay Of Death Benefits	0	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	108	34	31.48%
7	Late Ben. Notices (Indem.,Delay)	96	36	37.50%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	59	17	28.81%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	41	2	4.88%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	7	1	14.29%
11	Fail To Assign QRR After 90 Days of TD	0	0	#DIV/0!
12	Fail To Issue Notice of VR Rights After 90 Days of TD	27	19	70.37%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	20	11	55.00%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	4	2	50.00%
15	Fail To Notify Employee of Procedure to Eval. PD	62	23	37.10%
16	Fail To Issue Denial Notice as Req.	62	5	8.06%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	0	N.A.
18	Unpaid Indemnity	88	27	30.68%
19	Claim Log Violations (# of Entries and Violations)	4,770	14	0.29%
20	Other Assessments	300	65	21.67%
21	Unsupported Denials	62	0	0.00%

Exhibit 5J**Calendar Year 2000**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary
All Third-party Administrators, Regardless of Method of Selection**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	909	239	26.29%
2	Late First Pay Of PD	377	88	23.34%
3	Late First Pay Of VRMA	147	12	8.16%
4	Late Subsequent Indemnity Pay	730	230	31.51%
5	Late Pay Of Death Benefits	1	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	1,637	389	23.76%
7	Late Ben. Notices (Indem.,Delay)	1,629	442	27.13%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	913	122	13.36%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	530	40	7.55%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	180	5	2.78%
11	Fail To Assign QRR After 90 Days of TD	0	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	331	164	49.55%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	257	131	50.97%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	69	15	21.74%
15	Fail To Notify Employee of Procedure to Eval. PD	1,024	218	21.29%
16	Fail To Issue Denial Notice as Req.	1,010	16	1.58%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	1	N.A.
18	Unpaid Indemnity	1,344	264	19.64%
19	Claim Log Violations (# of Entries and Violations)	99,784	62	0.06%
20	Other Assessments	3,896	402	10.32%
21	Unsupported Denials	1,000	7	0.70%

Exhibit 5K**Calendar Year 2000****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary
All Randomly Selected Third-party Administrators**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	599	131	21.87%
2	Late First Pay Of PD	266	56	21.05%
3	Late First Pay Of VRMA	95	6	6.32%
4	Late Subsequent Indemnity Pay	512	125	24.41%
5	Late Pay Of Death Benefits	1	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	1,162	236	20.31%
7	Late Ben. Notices (Indem.,Delay)	1,158	269	23.23%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	663	59	8.90%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	369	20	5.42%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	113	2	1.77%
11	Fail To Assign QRR After 90 Days of TD	0	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	222	106	47.75%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	164	73	44.51%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	50	7	14.00%
15	Fail To Notify Employee of Procedure to Eval. PD	721	121	16.78%
16	Fail To Issue Denial Notice as Req.	823	12	1.46%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	0	N.A.
18	Unpaid Indemnity	956	145	15.17%
19	Claim Log Violations (# of Entries and Violations)	80,640	54	0.07%
20	Other Assessments	2,977	258	8.67%
21	Unsupported Denials	814	4	0.49%

Exhibit 5L**Calendar Year 2000**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary
All Non-Randomly Selected Third-party Administrators**

Item No.	Violations Related To:	# Of Audited Files With Exposure For Assessments	# Of Audited Files With Assessments	% Of Files With Assessments
1	Late First Pay Of TD	310	108	34.84%
2	Late First Pay Of PD	111	32	28.83%
3	Late First Pay Of VRMA	52	6	11.54%
4	Late Subsequent Indemnity Pay	218	105	48.17%
5	Late Pay Of Death Benefits	0	0	0.00%
6	Fail To Issue Ben. Notices (Indem.,Delay)	475	153	32.21%
7	Late Ben. Notices (Indem.,Delay)	471	173	36.73%
8	Fail To Pay or Object To Med. Expenses w/in 60 Days	250	63	25.20%
9	Fail To Pay or Object To M/L Expenses w/in 60 Days	161	20	12.42%
10	Fail To Pay or Object To VR Expenses w/in 60 Days	67	3	4.48%
11	Fail To Assign QRR After 90 Days of TD	0	0	0.00%
12	Fail To Issue Notice of VR Rights After 90 Days of TD	109	58	53.21%
13	Fail To Notify Employee of Med. Elig. for VR as Req.	93	58	62.37%
14	Fail To Notify Employee of Non-Elig. for VR as Req.	19	8	42.11%
15	Fail To Notify Employee of Procedure to Eval. PD	303	97	32.01%
16	Fail To Issue Denial Notice as Req.	187	4	2.14%
17	Fail To Respond Timely To Med. Treatment Request	N.A.	1	N.A.
18	Unpaid Indemnity	388	119	30.67%
19	Claim Log Violations (# of Entries and Violations)	19,144	8	0.04%
20	Other Assessments	919	144	15.67%
21	Unsupported Denials	186	3	1.61%